


ANNUAL REPORT
of
**UNION PREMIER
FOOD STORES, Inc.**
(A PENNSYLVANIA CORPORATION)

**FOR FISCAL YEAR ENDED
DECEMBER 31, 1938**



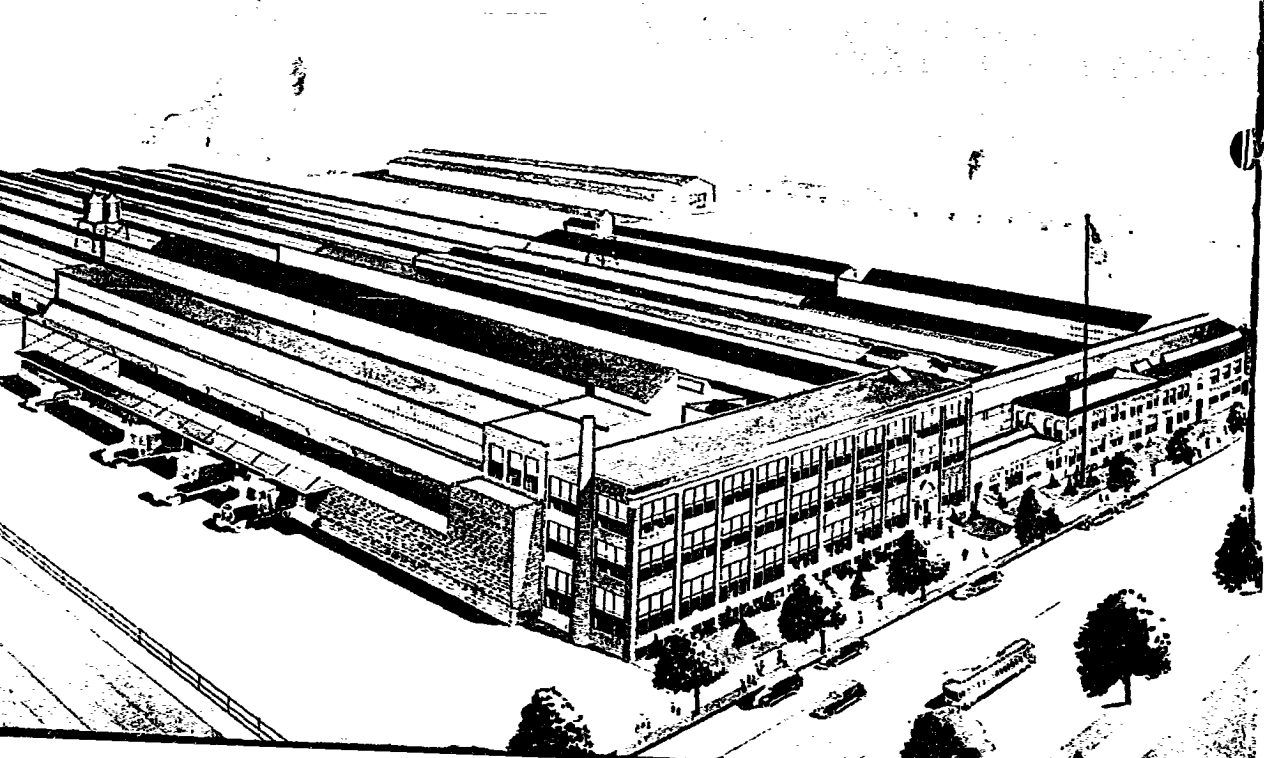


UNION PREMIER FOOD STORES, Inc.

Executive Offices and Warehouse

2200 EAST ALLEGHENY AVENUE

PHILADELPHIA, PENNA.





General View of Shopping Throughout Food Fair Markets and View of Customers Having Purchases Totaled.



UNION PREMIER FOOD STORES, Inc.

Allegheny Avenue at Tulip Street, Philadelphia, Pa.

(Operating Super Markets under the Name of FOOD FAIR)

Officers

SAMUEL FRIEDLAND, *President*

GEORGE FRIEDLAND, *Executive Vice-President*

MYER MARCUS, *Vice-President*

HESS KLINE, *Treasurer*

MYER M. GORDON, *Secretary*

LOUIS STEIN, *General Counsel*

Directors

SAMUEL FRIEDLAND, Moorestown, N. J.

GEORGE FRIEDLAND, Philadelphia, Pa.

HESS KLINE, Philadelphia, Pa.

MYER B. MARCUS, Philadelphia, Pa.

MYER M. GORDON, Philadelphia, Pa.

CHARLES J. McCUE, Philadelphia, Pa.

LOUIS STEIN, Union City, N. J.

TRANSFER AGENT

REGISTRAR & TRANSFER COMPANY

7 Dey St., New York, N. Y.

15 Exchange Place, Jersey City, N. J.

REGISTRAR

BANK OF THE MANHATTAN CO.

40 Wall St., New York, N. Y.

THE COMMON STOCK IS FULLY LISTED ON THE NEW YORK CURB EXCHANGE

Philadelphia, Pa.

March 15, 1939.

To the Stockholders of

UNION PREMIER FOOD STORES, Inc.

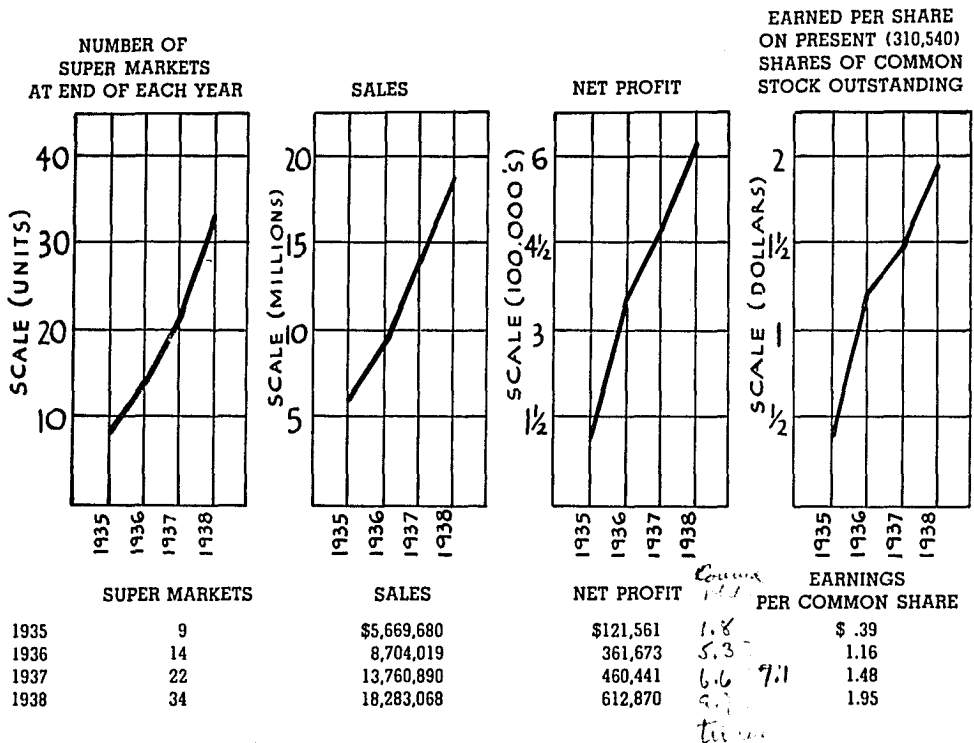
Your company operates on a fiscal year having thirteen periods of four weeks each. This report covers the fifty-two (52) weeks which began January 3, 1938, and ended December 31, 1938.

The financial condition of your company as at December 31, 1938, and the operations of your company for the fifty-two-week period ended on said date, are reflected in the consolidated balance sheet and profit and loss statement appended hereto, certified by Messrs. Lybrand, Ross Bros. & Montgomery, certified public accountants.

SALES AND EARNINGS

I am pleased to report that in spite of the generally unsettled business conditions in 1938, your Company established a new high record for both net sales and net earnings. Sales for the year (reflecting sales of the markets in operation throughout the year as well as those that commenced operations during the year) were \$18,283,068.03, an increase of approximately 32% over the previous year; and net earnings advanced to \$612,870.23 from \$460,441.44 in the preceding year.

Following is a series of graphs and tables comparing, for the last few years, the number of super markets operated at the end of each year by your Company and its wholly-owned subsidiaries as well as their annual sales and net earnings.



DIVIDENDS

Dividends of 25c per share on the common stock were paid during each quarter of 1938, the regular rate having been increased from 20c per share on January 15, 1938. An initial dividend of 34c per share was paid December 15, 1938, on the 25,000 shares of Cumulative Convertible Preferred Stock then outstanding. Total dividend payments during the last three years were as follows:

	REGULAR DIVIDENDS PAID IN CASH	EXTRA DIVIDENDS PAID IN CASH OR STOCK	TOTAL PAYMENTS
1936	\$249,663.00	\$249,663.00
1937	169,800.00	\$256,500.00**	426,300.00
1938	314,979.12*	314,979.12
Total	\$734,442.12	\$256,500.00	\$990,942.12

*Dividend on Common Stock—\$310,540.00; Dividend on Preferred Stock \$4,439.12 (net of accrued dividends on stock sold).

**Paid in cash, \$26,640.00; paid in stock, \$229,860.00.

NOTE: Except where indicated all of the amounts shown in the above table were paid on Common Stock.

CUMULATIVE CONVERTIBLE PREFERRED STOCK

During the previous year the authorized capitalization of the company was changed by creating 250,000 shares of Cumulative Convertible Preferred Stock of the par value of \$15 per share for issuance in whole or in part in series, at any time or from time to time, with such variations in the relative rights and preferences, as between the different series, as may be fixed and determined by resolution of the Board of Directors. Pursuant to the foregoing the Directors authorized the issuance and sale of 60,000 shares of Cumulative Convertible Preferred Stock, Annual Dividend \$1.37½, of which 25,000 shares were sold to underwriters on October 28, 1938, and 25,000 shares were sold to or through underwriters in March 1939. These shares were sold by the Company at the price of \$22.00 per share, aggregating the sum of \$1,100,000.00, which has been and is to be used for additional working capital and for expansion. The remaining 10,000 shares of said stock are not to be presently offered for sale to the public.

50,000 shares of
outstanding
Dividend 1.37½ per
share (\$15.00 x .25)
Total \$1,100,000.00

COMMON STOCK

There was no change during the year in the number of shares of the common stock (310,540) outstanding.

CAPITAL EXPENDITURES

In connection with your Company's expansion program it was considered greatly to the advantage of your Company to acquire in fee a permanent warehouse and main office location, located at Allegheny Avenue and Tulip Street, Philadelphia. In addition thereto, your Company opened 12 new markets during the year and made various improvements to several of the older markets. The acquisition of the warehouse and main office location, the opening of the 12 new units and the improvements to the older markets entailed an expenditure by your Company of \$691,664.75.

OPERATING UNITS

Since the last annual report, your Company and its wholly-owned subsidiaries have operated super markets exclusively. At the beginning of 1938 there were twenty-two and there are now thirty-four in operation, twelve having been opened during the year and none closed. The satisfactory operation of these newer units, together with the continued successful operation of the older super markets, confirms the judgment of your Company's management in the past, and justifies continued expansion along similar

lines. It is the hope of your management to open about fifteen new units in 1939.

It is the intention of your Company to continue its policy of leasing locations rather than purchasing them. In several instances, where certain desirable locations were obtainable only by purchase, the officers of your Company have taken title to them and leased them to your Company upon terms substantially as favorable as those upon which the Company has leased other locations. In each case the markets opened at these locations are being successfully operated. During 1938, your Company agreed to purchase four of these locations from your officers, at cost.

LEGISLATION

Taxation measures, particularly of grocery chains, ostensibly adopted for revenue purposes but actually intended either to drive chain stores out of business or to compel them to increase their prices, are viewed with disfavor by your Company's management, and it is urged that you, as consumers, will voice your disapproval of any proposed legislation of this character.

MANAGEMENT AND PERSONNEL

The general relationship between your Company and its employees is reflected in the Company's granting one week's salary as a bonus and a one-week vacation with pay to each person in its employ for one year or longer.

In accordance with your Company's policy of training and advancing men within its own organization there have been many promotions and advancements made in the year just ended. It is pleasing to report that these men have taken hold very satisfactorily in their new positions, and their continued success gives the management ample encouragement for continuing this policy.

HISTORY AND DEVELOPMENT OF BUSINESS

Prior to 1938, your Company operated both super markets and service stores. However, by January, 1938, in keeping with a well-defined policy, the service stores were no longer in operation. As indicated in the table on page four the number of super markets operated by your Company and its subsidiaries increased from 9 in 1935 to 14 in 1936, 22 in 1937 and 34 in 1938. Your officers firmly believe that the unmistakable trend

toward self-service establishments, propelled by the desire to shop leisurely and without interference in a spacious market offering a variety of products (both as to quality and selection) unobtainable in the "conventional type store", has become a part of the American shopping picture.

With a few exceptions all the departments in our stores are operated directly by us and the problems incident to the operation of a so-called "concessionaire business" are eliminated. Partly as a result of this factor of coordination and centralized control, and partly as a result of economies effected through carefully managed super markets, our customers are offered prices which, in some instances, are several per cent lower than those prevailing in neighborhood stores. It cannot be too strongly emphasized, however, that under no circumstances is there a compromise with quality. Our appeal to the public is made along lines of convenience, cleanliness and variety—the factor of price is incidental.

DEPRECIATION POLICY

The Company's land, building and equipment assets have increased materially during the past year through the opening of additional stores, and the acquisition of the new warehouse. The buildings, as well as the warehouse and store equipment, are kept at a high standard of efficiency at all times. The depreciation policy of the company is conservative and, in most instances, is the highest permitted under present tax regulations.

COOPERATION

The management desires to express its appreciation for the loyal support of the stockholders and employees during the past year, and will attempt during the coming year to continue to operate your Company efficiently and aggressively, so that it may continue to receive your most valued support. It is hoped that you will be present in person at the forthcoming stockholders' meeting on April 4, 1939, and will inspect our new offices and warehouse.

Samuel Friedland

President.

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

+ 550,000.00 in March

Cash on hand and demand deposits		\$574,065.69	
Accounts receivable, trade		15,828.90	
Inventories, at cost or market, whichever lower:			
Merchandise in warehouse	\$458,751.77		
Merchandise in stores	482,550.75		
Merchandise in transit	58,761.02		
Store supplies	46,657.59		
			1,046,721.13
Notes and accounts receivable for sale of trucks, etc.		13,686.41	
Total current assets			\$1,650,302.13
Security investments			1,090.00

FIXED ASSETS:

Real estate	\$330,855.01		
Store, warehouse and office fixtures and equipment and improvements to leased properties	939,545.13		
Automobiles and trucks	19,912.63		
		\$1,290,312.77	
Less allowances for depreciation and amortization	206,604.70		
			1,083,708.07
Prepaid and deferred charges			31,251.36

OTHER ASSETS:

Deposits with public utilities, etc.	3,708.00		
Cash surrender value of insurance on officer	4,190.47		
			7,898.47
			<u>\$2,774,250.03</u>

ASSETS WHOLLY OWNED SUBSIDIARIES

AS AT DECEMBER 31, 1938

LIABILITIES

CURRENT:

NOTES PAYABLE:

Trade acceptances	\$63,640.82	
For equipment	40,540.43	
		\$104,181.25

ACCOUNTS PAYABLE:

Trade, etc.	210,934.02	
Merchandise in transit.....	58,761.02	
		269,695.04

ACCRUED LIABILITIES:

Salaries and wages.....	30,344.92	
Taxes, including Federal and State income taxes.....	214,723.51	
		245,068.43

Total current liabilities.....		\$618,944.72
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CAPITAL

CAPITAL STOCK:

Cumulative preferred, par \$15, authorized 250,000 shares (specific preferences determinable upon approvals of issues) of which there have been approved for issue 60,000 shares; convertible; dividend \$1.37 1/2 annually; redeemable at \$27 per share (entitled in involuntary liquidation to \$25 per share); of which there have been issued, 25,000 shares which are stated at \$27 per share including \$300,000 capital surplus appropriated for preferred stock. \$675,000.00
 (Unexercised options to purchase 35,000 shares of preferred stock outstanding December 31, 1938, expired January 20, 1939.)

Common, par \$1, authorized 750,000 shares; issued 310,540 shares 310,540.00
 (Options are outstanding to purchase 50,000 shares at \$13 per share at any time to March 1, 1942.) *81 earned 196-20*
985,540.00

SURPLUS:

Capital surplus, unappropriated, as annexed.....	\$833,897.05	
Earned surplus, as annexed.....	335,868.26	1,169,765.31
		2,155,305.31
		\$2,774,250.03

CONSOLIDATED CAPITAL SURPLUS ACCOUNT

FOR THE YEAR (52 WEEKS) ENDED DECEMBER 31, 1938

Capital surplus, January 1, 1938.....	\$986,479.20	
Add premium on sales of preferred stock in excess of par value.....	175,000.00	
		<hr/>
		\$1,161,479.20
 Less:		
Difference between par value of preferred stock \$15 and redemption price \$27 appropriated for preferred stock	\$300,000.00	
Expenses in connection with sale of preferred stock... ..	27,582.15	
		<hr/>
		327,582.15
Capital surplus, unappropriated, December 31, 1938.....		<hr/>
		\$833,897.05

CONSOLIDATED EARNED SURPLUS ACCOUNT

FOR THE YEAR (52 WEEKS) ENDED DECEMBER 31, 1938

Earned surplus, January 1, 1938.....		\$37,977.15
Net income for the year ended December 31, 1938, as annexed.....		612,870.23
		<hr/>
		\$650,847.38
Dividends paid in cash:		
Common stock, \$1 per share.....	\$310,540.00	
Preferred stock, 34 cents per share, quarter ended December 15, 1938 (net of accrued dividends on stock sold).....	4,439.12	
	<hr/>	314,979.12
Earned surplus, December 31, 1938.....		<hr/>
		\$335,868.26

CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR (52 WEEKS) ENDED DECEMBER 31, 1938

Sales		\$18,283,068.03
Cost of goods sold:		
Inventory, January 1, 1938.....	\$699,466.94	
Purchases, net of discounts.....	14,707,694.43	
	\$15,407,161.37	
Inventory, December 31, 1938.....	941,302.52	
	14,465,858.85	
Gross profit		\$3,817,209.18
Operating expenses:		
Rent, maintenance and repairs.....	215,302.27	
Depreciation of equipment and buildings, and amortization	106,584.68	
Taxes, other than income taxes.....	111,546.75	
Store wages	1,328,174.18	
Officers' salaries	60,000.00	
Other operating, general and administrative expenses	1,252,480.51	
	3,074,088.39	
		743,120.79
Other income:		
Dividends	60.00	
Interest	530.01	
Rents received	33,363.26	
Miscellaneous, net	580.04	
	34,533.31	
Income before interest and income taxes.....		\$777,654.10
Interest paid		1,340.01
Income before income taxes.....		\$776,314.09
Provision for Federal and State income taxes.....		163,443.86
Net income		\$612,870.23

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

PACKARD BUILDING
PHILADELPHIA

RESIDENT PARTNERS
T. EDWARD ROSS
JOSEPH W. FISH
JOHN HOOD, JR.
GEORGE R. DRABENSTADT
A. KARL FISCHER
CLARENCE R. HAAS
FREDERICK S. METZLER

NEW YORK
PHILADELPHIA
CHICAGO
BOSTON
NEWARK
BALTIMORE
WASHINGTON
PITTSBURGH
DETROIT
CLEVELAND
CINCINNATI
ROCKFORD
LOUISVILLE
ST. LOUIS
ATLANTA
DALLAS
HOUSTON
SAN FRANCISCO
LOS ANGELES
SEATTLE
LONDON
PARIS

February 9, 1939.

Union Premier Food Stores, Inc.,
Philadelphia.

We have made an examination of the consolidated balance sheet of

UNION PREMIER FOOD STORES, INC.,

and its wholly owned subsidiaries as at December 31, 1938, and of the consolidated statements of income and surplus for the year (52 weeks) ended December 31, 1938. In connection therewith, we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers' and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and consolidated statements of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, the consolidated position of the Companies as at December 31, 1938, and the consolidated results of operations for the year ended that date.

Lybrand, Ross Bros. & Montgomery



Front View of Food Fair Market in Trenton, N. J.



A Typical Produce Display in Food Fair Markets



Newly Opened Food Fair Market in Philadelphia, Pa.

Located in Jenkin-
town, a Suburb of
Philadelphia, Pa.



General View of
Dairy, Meat and
Delicatessen Depts.

2719 Atlantic Ave.,
Atlantic City, N. J.





Action Views of Shoppers Having Purchases Totaled at "Checking Booths."

General View of a Food Fair Service Dept.



Shop at the Following
FOOD FAIR MARKETS

ALLENTOWN, PA.

913-21 Walnut St.
7th and Allen Sts.
Madison and Liberty Sts.

ATLANTIC CITY, N. J.

2719 Atlantic Ave.

BALTIMORE, MD.

2720 W. North Ave.
3901-25 Belvedere Ave.
405 N. Franklinton Rd.
2515 Greenmount Ave.
Fleet and Haven Sts.

BETHLEHEM, PA.

79 W. Broad St.
Broadway and Montclair Ave.

BRYN MAWR, PA.

646 Lancaster Ave.

CAMDEN, N. J.

1706 Federal Street

CHESTER, PA.

5th and Water Sts.

COATESVILLE, PA.

342 E. Main St.

COLLINGSWOOD, N. J.

Park Ave. and White Horse Pike

COLUMBIA, PA.

343 Locust St.

HARRISBURG, PA.

27-29 N. Cameron St.
205 S. 17th St.
302 Muench St.

JENKINTOWN, PA.

440 Old York Rd.

LEMOYNE, PA.

331 Market St.

NORRISTOWN, PA.

103 E. Main St.

PATERSON, N. J.

355-67 Market St.

PHILADELPHIA, PA.

2200 E. Allegheny Ave.
1976-80 Hunting Park Ave.
73rd and Elmwood Ave.
7262 Frankford Ave.
Germantown Ave. and Haines St.
6425 Torresdale Ave.
853 S. 55th St.

READING, PA.

125-127 S. Fifth St.
10th and Penn Sts.

TRENTON, N. J.

400 Block Pennington Ave.

WEST NEW YORK, N. J.

152-60—16th St.

YORK, PA.

606-610 S. George St.
143-61 Roosevelt Ave.